EXECUTIVE SUMMARY

PURPOSE

To provide an early, preliminary assessment of the new approach that the Health Care Financing Administration used in 1994 to evaluate Medicare contractor performance in medical review and in fraud and abuse activities.

BACKGROUND

The Health Care Financing Administration (HCFA) contracts with 33 carriers to process Medicare claims for physicians and supplies, and with 46 fiscal intermediaries to process claims for institutional providers. The FY 1995 appropriation for these contractors is $1.6 billion. In 1995, they are expected to process 785 million claims.

In 1994 HCFA instituted a new approach for reviewing contractor performance in two important areas of payment safeguards: fraud and abuse, and medical review. This approach had two basic features. First, the review used a qualitative assessment of contractor performance, rather than a standardized numerical scoring system. Second, HCFA used teams comprised of staff from different regional offices to conduct the reviews, rather than rely on a single staff member from the local regional office.

Our methodology relies on three data sources: a review of the narrative reports submitted to contractors following their review; interviews with HCFA staff from five regional offices and the central office; and interviews with staff from 15 contractors, including 10 contractors that were reviewed under the new approach and 5 that were not reviewed using this approach.

FINDINGS

EARLY EXPERIENCE INDICATES THAT THE NEW APPROACH HAS IMPROVED HCFA'S ABILITY TO ASSESS CONTRACTOR PERFORMANCE IN MEDICAL REVIEW AND IN FRAUD AND ABUSE.

The qualitative assessment used in the new approach gave HCFA a way of gathering useful information that it had not obtained before.

- The flexible protocol enabled the review team to target its inquiry on areas of each contractor's performance that the team identified as problematic.

  Examples of problems identified:
  - no system for prioritizing fraud cases
  - inadequate data analysis system to identify aberrant billing patterns
  - lack of system to evaluate success of provider corrective actions

- The new approach encouraged the review teams to identify strengths and weaknesses that cut across different operating units at individual contractors.

  Examples of strengths identified:
  · standardized format for referrals
  · fraud unit staff conducts fraud detection training for *all* contractor staff

  Examples of weaknesses identified:
  · referral of non-fraud cases to fraud unit
  · inadequate contractor wide training on fraud detection and prevention

Using teams from outside the local regional office to conduct the reviews enhanced the review for both HCFA and contractors.

- The external teams brought new information about contractor operations to both HCFA and the contractors.

  Information brought to HCFA:
  · impact of requirements on contractor operations
  · central office involvement in contractor assessment

  Information brought to contractors:
  · improved understanding of HCFA policies and expectations
  · improved ways of using data systems

- The use of external teams added an element of objectivity to the reviews.

  Contractor perspectives on objectivity:
  · "You are more challenged to really walk an outside team through your processes, to be sure you explain your operation to them."
  · "If you deal with someone daily, they have more trouble finding fault. If they don't know us, they're not so concerned about future dealings with us."

OUR EARLY ASSESSMENT ALSO SUGGESTS THAT HCFA HAS NOT YET MADE FULL USE OF THE INFORMATION GATHERED IN THESE REVIEWS TO FURTHER CONTRACTORS' ABILITY TO SAFEGUARD MEDICARE PAYMENTS.

HCFA regional staff are using the written reports from these reviews in their ongoing assessment of contractor performance. However, regional staff may not be taking full advantage of these reports to provide more effective oversight of contractor activities.

The written reports varied widely in four significant ways:

Criteria for imposing corrective action plans;
Differing interpretations of similar facts;
No prioritization of recommendations; and
Different levels of detail reported.

In the course of the reviews, HCFA gathered national information on effective contractor practices, as well as practices to avoid. However, the agency has not yet conveyed this information to contractors as a way of strengthening overall operation of the Medicare program.

RECOMMENDATIONS

The real measure of the success of this new approach will be determining whether contractors in the years ahead are doing a better job of preventing inappropriate payments under the Medicare program. In order to build upon the process initiated this past year, we recommend that HCFA take the following steps:

THE HCFA CENTRAL OFFICE SHOULD BE SURE TO OBTAIN INFORMATION FROM THE REGIONAL OFFICES TO SEE HOW THEY ARE MONITORING CONTRACTOR IMPROVEMENT PLANS THAT AROSE FROM THESE REVIEWS OF FRAUD AND ABUSE ACTIVITIES AND MEDICAL REVIEW.

Obtaining this information is important for three reasons:

HCFA needs to assess the results of this new approach over time;
HCFA should have a mechanism for determining how the regional offices are accepting findings of reviews conducted by outside teams; and
HCFA should have a central source for assessing the practical usefulness of the reports.

THE HCFA SHOULD DEVELOP A GENERAL FORMAT FOR KEY INFORMATION TO BE CONTAINED IN THE WRITTEN REPORTS.

At a minimum, we believe that this information should include:

the basis for imposing corrective action plans;
the supporting data needed to portray accurately the results of the reviews; and
prioritization of recommendations for improvement.

THE HCFA SHOULD TAKE IMMEDIATE STEPS TO PREPARE AN ANALYSIS OF EFFECTIVE PRACTICES, AND PRACTICES TO AVOID, BASED ON FINDINGS FROM THE 1994 REVIEW PROCESS. THE HCFA SHOULD SHARE THESE ANALYSES WITH ALL FISCAL INTERMEDIARIES AND CARRIERS.

The HCFA should evaluate the success of this effort, perhaps through conducting user feedback surveys. If the approach is meaningful for the contractors, we would urge HCFA to continue to conduct and share similar analyses in the future.

COMMENTS ON THE DRAFT REPORT

We sought comments on the draft report from HCFA and from the Assistant Secretary for Planning and Evaluation (ASPE). The HCFA concurred with our

recommendations and summarized steps that the agency is taking to implement those recommendations. The ASPE also concurred with our recommendations, but offered no additional comments. We include HCFA's full comments as Appendix A.

In response to our first recommendation, HCFA indicates that regional offices are submitting copies of Contractor Performance Improvement Plans to the central office. Central office and the regions are working to develop a mechanism for continuous monitoring of these Performance Improvement Plans.

In response to our second recommendation, HCFA notes that it is providing general guidelines for review teams concerning key information to be communicated in written reports. The actual report format will be determined by the review teams, as is currently being done for the national review in the Medicare Secondary Payer area.

In response to our third recommendation, HCFA states that it already has disseminated best practices to carriers and intermediaries.

We appreciate HCFA's positive response. We would be pleased to work with the agency in the future to evaluate the effectiveness of its actions in these areas.